The Most Tax-Efficient Way to Give to Dartmouth

We are now at an age where, if you have an IRA or other qualified retirement account (403-b, TSA, 457, etc.), you are required to make an annual withdrawal, the amount of which is based on the age you will be during the calendar year and the value as of the last day of the prior year. Obviously, this amount will vary annually. Under normal circumstances, this annual mandatory withdrawal, known as the Required Minimum Distribution (RMD), will be added to your other taxable income (investment, self-employment, perhaps even social security, etc.) for determining the amount of income tax to be paid. (**Please note** that the required minimum distribution has been waived for calendar year 2020 due to the virus stimulation legislation.)

As a result, this level of combined income may have the effect of reducing the tax benefit you receive from making a tax-deductible gift, be it to Dartmouth or any other qualified recipient. For example, if you make a gift of $1,000 to Dartmouth, you may not be able to fully benefit from the $1,000 deduction, since the deductibility of any gift is affected by how high your income may be. This could mean that, instead of getting a $1,000 tax deduction, you may only get 90%, 80% or less of this amount. This is so under present tax law. If and how this may change with any potential tax changes being discussed.

There is a way to assure yourself of getting a full deduction of the amount you give, and reducing your taxable income, all at the same time. This is known as the Qualified Charitable Distribution (QCD) from an IRA (it only applies to IRAs at this time, so this may lead you to want to discuss with your financial or tax advisor if you should roll other retirement monies into an IRA). If you do this rollover, it is vital that you act before the end of calendar year in order to permit a charitable distribution in the following year.

Here is how this Direct Charitable Distribution works:

- The first step is to determine the amount of your RMD.
- Once you know that amount, you can determine how much of that amount, up to the full RMD amount but not to exceed $100,000, you want to gift to Dartmouth.
- You would then contact your financial advisor or the entity that is the sponsor of your IRA to complete a distribution form, designating the amount and the Payee, being the "Trustees of Dartmouth College."
- You can have the check for this distribution mailed to you, which you then forward to the College, or you can have the check sent directly to the College.
- In either case, you want to be sure that you are clearly identified as the donor of this gift.

I would strongly recommend you have the check sent to you, then mailed with a cover letter to the College.

You can make a gift of this nature any time during the calendar year, as long as it is completed by 12/31 of that year.

Why is this the most tax-efficient means of giving to Dartmouth?

- The amount you gift reduces the RMD amount you are required to withdraw, which means that you would then have a lower taxable income than if you have the full RMD amount paid to you.
- Since the gift amount directly reduces the amount of the RMD dollar-for-dollar, you have effectively received a 100% deductibility of the gift, with no tax-benefit reduction based on total income.
- Also, if in the past you may have gifted appreciated securities to avoid the 15-20% capital gain tax, doing the Qualified Charitable Distribution instead shelters money from income tax brackets as high as 40.8%, which far outweighs the avoidance of the capital gain tax.

No, you do not get a charitable gift deduction on your tax return doing this, but, remember, inside your IRA you have deducted this gift amount fully against what would otherwise have been taxable income, thereby reducing the taxable income from your IRA and getting a 100% benefit.

If this appeals to you, and you have any questions about doing this, send me an email at esheald@aol.com or call my cell at 978-430-3165.